

## Title 37

### INSURANCE

## **Chapter 29. Regulation 52 – Small Group Health Insurance Rating Requirements**

### **§2901. Purpose**

~~A. The purpose of this rule is to facilitate the implementation of R.S. 22:228.2 and 22:228.6. The intent of R.S. 22:228.2 is to restrict premium rate increases and the intent of R.S. 22:228.6 is to establish a modified community rating system for health care premiums in the state. Adherence to this rule by small employer health and accident insurance carriers will bring them into compliance with R.S. 22:228.2 and 22:228.6. The provisions of R.S. 22:228.2 and R.S. 22:228.6 not specifically addressed in this rule are in full force and effect as if they were addressed herein.~~

#### Repealed.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10, 22:228.2, and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:315 (March 1994), amended LR 21:1338 (December 1995). repealed LR XX.

### **§2903. Applicability and Scope**

~~A. R.S. 22:228.2 applies to the rating of small group health benefit plans only. R.S. 22:228.6 applies to the rating of small group and individual health benefit plans. This particular regulation applies to the compliance of small group health benefit plans and association sponsored plans where group and individual member plans are combined.~~

#### Repealed.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10, 22:228.2, and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:315 (March 1994), amended LR 21:1338 (December 1995). repealed LR XX.

### **§2905. Definitions**

~~*Manual Rate*—for each class of business as to a rating period, the lowest premium rate charged or which could have been charged under a rating system for that class of business, by the carrier to small employers with similar case characteristics for health benefit plans with the same or similar coverage. Coverage and case characteristic variations in the manual must bear a reasonable relationship to normal expectations based on experience of standard risks. The use of experience alone is not sufficient justification for variations beyond such expectations.~~

~~*Representative Census*—the average characteristics of all groups in a class of business insured by an insurance carrier.~~

~~*Small Group and Small Employer*—any person, firm, corporation, partnership or association actively engaged in business which, on at least 50 percent of its working days during the preceding year, employed no less than three nor more than 35 eligible employees or association members and does not include policies whose premiums are paid for by the individual employee alone. However, any association sponsored plan, which includes a combination of small groups and individuals, shall be considered as a small group and governed under §§22:228.2 and 22:228.6.~~

#### Repealed.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10, 22:228.2, and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:315 (March 1994), amended LR 21:1338 (December 1995). repealed LR XX.

### **§2907. Restrictions on Premium Rates**

A. ~~Each class of business shall have its own rate manual. The manual will be used to determine compliance with the intent of the law for the relationship of one employer group to the others within a class. The rate manual will also be used to determine compliance with the required relationship of one class to the other classes.~~

B. ~~R.S. 22:228.2.A(2) and R.S. 22:228.6.B(2)(c), Louisiana Statutes, require, in substance, that within a class the premium rates charged to small employers during a rating period may not vary from the index rate by more than 20 percent following January 1, 1994. This requirement shall be met for each small employer if the ratio of the premium charged the employer to that calculated from the rate manual is between 1 and 1.67 for rating periods from September 30, 1992 through December 31, 1993 and between 1 and 1.50 for rating periods following January 1, 1994.~~

C. ~~R.S. 22:228.2.A.(1) requires, that "the index rate for a rating period for any class of business shall not exceed the --- index --- rate --- for --- any --- other --- class --- of --- business --- by --- more --- than 20 percent." This requirement shall be met as follows:~~

1. ~~The company shall define a representative census of its business.~~

2. ~~On December 31 of each calendar year, the company shall calculate a dollar rate according to the manual rate in effect for the rating period beginning December 31 for each class, using an actuarially equivalent plan of benefits for the representative census.~~

3. ~~A conversion to an index dollar rate shall be made from the manual dollar rate for each class calculated in §2907.C.2. This conversion shall be made by multiplying the manual dollar rate for each class in §2907.C.2 by the appropriate factor for each class calculated as follows:~~

a. ~~calculate the ratio of the highest premium charged or which could have been charged as of the last renewal or issue date, according to the description of the rating practices for that class as required by R.S. 22:228.5, to the manual rate in affect at the last renewal or issue date for each group still in force as of December 31;~~

b. ~~the sum of 1.00 plus the highest ratio calculated from §2907.C.3.a divided by two shall be used as the conversion factor in §2907.C.3 above. For the calendar year 1993, if the highest ratio calculated in §2907.C.3.a is greater than 1.67, then 1.67 shall be used as the highest ratio. This conversion factor should be calculated for each class of business. For calendar year 1994 and thereafter, 1.5 shall be used above.~~

4. ~~The ratio of the highest index dollar rate for any class cannot exceed the lowest index dollar rate for any other class calculated in §2907.C.3 by more than 20 percent.~~

5. ~~This test shall be performed on December 31 every year. Other methods may be used if it is demonstrated to the satisfaction of the department that the result will be the same.~~

D. ~~R.S. 22:228.2.A.(3)(a)-(c) limits the percentage increase in the premium rate charge to small employers for a new rating period. In capsule form, the increase may not exceed the sum of the following:~~

1. ~~the percentage change in the new business premium rate;~~

2. ~~an adjustment, not to exceed 15 percent annually and prorated for rating periods of less than one year due to the claims experience, health status, or duration of coverage of the employees or dependents of the small employer; and~~

3. ~~any adjustments due to change in coverage or case characteristics of the small employer.~~

E. ~~The limit of a proposed rate increase for a small employer shall be determined by comparing the desired renewal premium to a maximum renewal premium calculated as follows:~~

1. ~~Calculate a premium using manual rates for the small employer from the rate manual in effect at the renewal date, based on the current census of the small employer and the current benefit plan.~~

2. ~~Calculate a premium using manual rates for the small employer from the rate manual in effect at the beginning of the rating period, based on the census and the benefit plan then in effect or based on the current plan with an actuarially equivalent adjustment for the difference in benefits between plans.~~

3. ~~Section 2907.E.1 divided by §2907.E.2 multiplied by the gross premium in effect at the beginning of the rating period gives the maximum renewal premium for the next rating period for the allowance of §2907.D.1 and §2907.D.3.~~

4. ~~A percentage of the gross premium in force prior to renewal may be added to §2907.E.3. The percentage is 15 percent per year prorated for the months elapsed between the last and current rating dates.~~

5. ~~Section 2907.E.3 plus §2907.E.4 is the maximum renewal premium subject to the following:~~

a. ~~calculate the ratio of the maximum renewal premium in §2907.E.5 to the manual rate in §2907.E.1;~~

b. ~~for rating periods through December 31, 1993, if §2907.E.5.a exceeds 1.67, then 1.67 multiplied by the manual rate in §2907.E.1 is the maximum renewal premium, not the renewal premium in §2907.E. For rating periods after December 31, 1993, 1.50 should be substituted for 1.67.~~

Repealed.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10, 22:228.2, and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:315 (March 1994), amended LR 21:1338 (December 1995). repealed LR XX.

**§2909. General Provisions**

~~A. -- Other methods may be used to comply with R.S. 22:228.2 and R.S. 22:228.6 if it is demonstrated to the satisfaction of the department that such methods are designed to attain and/or enhance the purposes of R.S. 22:228.2 and R.S. 22:228.6. Such demonstration shall at least consist of an actuarial certification and the methodology for testing compliance with R.S. 22:228.2 and R.S. 22:228.6.~~

Repealed.

AUTHORITY NOTE: Promulgated in accordance with Act 655 of the 1993 Regular Legislative Session and R.S. 22:10, 22:228.2, and 22:228.6.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 20:315 (March 1994), amended LR 21:1338 (December 1995). repealed LR XX.